

Access

6.1. Introduction

This section analyzes unbanked Federal check recipients (survey respondents) access to financial services. The objective is to understand the way unbanked recipients handle financial transactions in terms of check cashing, account history, and bill payment.

Key Findings

- The majority (51%) of unbanked Federal check recipients already use banks to cash their checks.

Black and Hispanic unbanked recipients are less likely (34% and 40% respectively) to use banks and more likely to use check cashers.

Unbanked recipients living in cities go less to banks (39%) and more to check cashers (27%).

- Less than half (39%) of unbanked recipients are charged a fee to cash their Federal checks.

This is highly associated with the high percentage of unbanked recipients using banks, since the majority (81%) of unbanked recipients who go to banks do not pay a fee to cash their checks.

Related with this, fees are more likely to be charged to:

Black unbanked recipients (62%) versus Whites (27%) or Hispanics (40%).

Unbanked recipients living in cities (53%) versus countryside (26%) or small towns (29%).

- Over one-third of unbanked recipients plan to start using a bank account in the near future (39% might or will use a checking account and 39% might or will use a savings account).

Demand varies significantly across ethnic groups, showing that those — Black unbanked recipients — who currently use more check cashing services and use banks less and therefore pay more fees, are the ones who express the strongest interest in a bank account.

Over half (53%) of Black unbanked recipients might or will use a checking account in the future compared to 36% of Whites.

Over half (55%) of Black unbanked recipients might or will use a savings account in the future compared to 32% of Whites.

- Unbanked recipients pay their monthly bills by cash (55%), by money order (50%), or via someone else (20%).

The majority (86%) of unbanked recipients is charged a fee to get a money order — the mean fee is \$0.90.

- As expected, banked recipients tend to use banks to cash their checks (92%), few pay any fees (5%), they have a checking account (77%) and/or a savings account (65%), and they pay their bills by check (71%).

6.2. Check Cashing Location

Type of Location

Surprisingly, unbanked recipients primarily cash their checks at a bank or a credit union. The majority (51%) of unbanked recipients usually cash their checks in a bank or credit union, followed by grocery stores (36%), check cashers (16%), and other retail stores (11%).

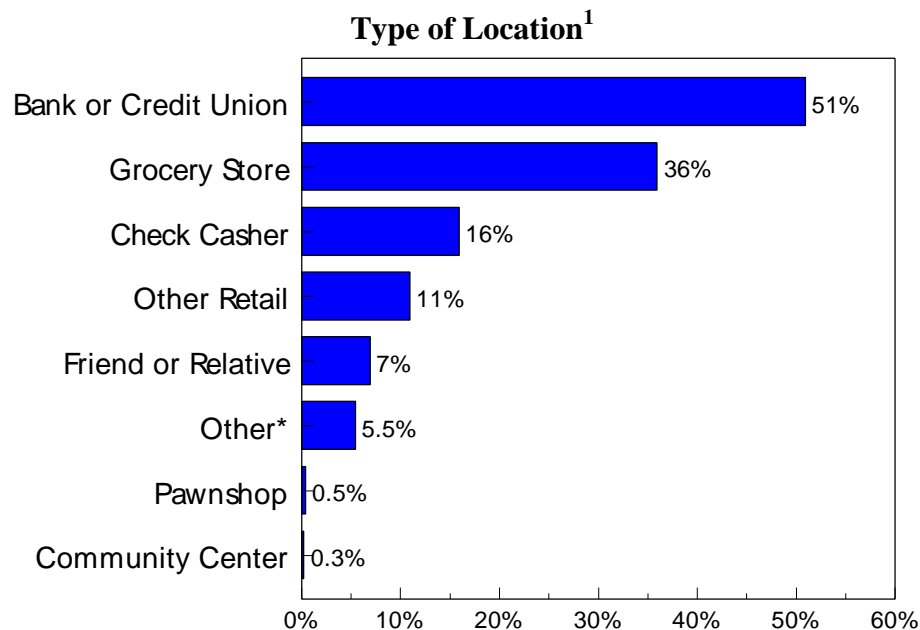


Figure 6.1

*Other includes nursing home, post office, landlord, hotel casino, etc.

¹ One person can go to multiple locations.

This is consistent with the results from Shugoll Research, which found that 62% of unbanked regularly use a bank to cash their checks, 30% regularly use a grocery store, and 10% regularly use a check casher.

However, the type of location chosen to cash checks varies significantly by ethnic group. Black and Hispanic unbanked recipients are less likely (34% and 40% respectively) to go to banks than White unbanked recipients (62%). At the same time, Blacks and Hispanics are greater users (33% and 29% respectively) of check cashing services compared to Whites (7%).

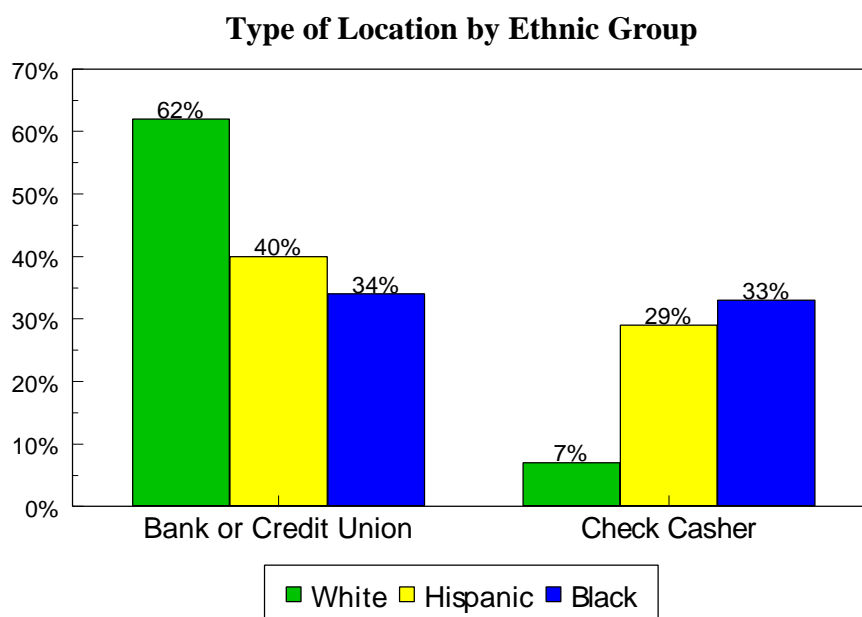


Figure 6.2

In addition, there is a relationship between the living area and the type of location used for cashing checks. Unbanked recipients living in cities are more likely (27%) to go to check cashers than those living in small towns (8%) or in the countryside (8%). In parallel, unbanked recipients living in cities are less likely (39%) to cash their checks at a bank than those living in small towns (63%) or in the countryside (58%). In addition, those living in the countryside are significantly² more likely (48%) to go to grocery stores to cash their checks than unbanked recipients living in cities (31%).

² At a 94% confidence level.

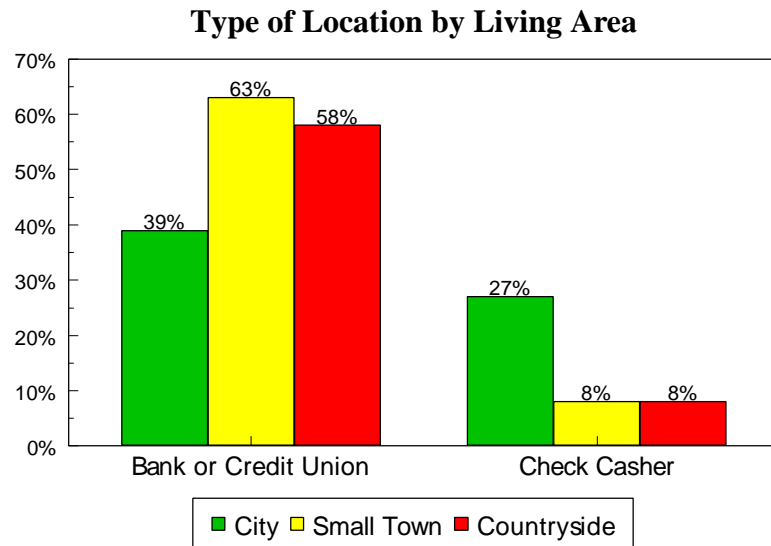


Figure 6.3

Finally, variations also emerge across regions. Unbanked recipients living in the Northeast are more likely (27%) to go to check cashers to cash their Federal check, compared to the Central region (11%), the Southeast (11%) or the Midwest (5%). At the same time³, unbanked recipients who live in the Central region are more likely (47%) to go to grocery stores to cash their Federal check than those living in the Northeast (26%).

Transportation

The majority (70%) of unbanked Federal check recipients cash their checks themselves. Of those, 51% drive to their check cashing location, 11% walk, 10% use public transportation, and 28% use some other means.

Overall, the mean distance is 6.8 miles (the median is 3 miles) for unbanked recipients to go to the location where they usually cash their checks.

- For unbanked recipients who drive, the mean time to get there is 12 minutes (the median is 10 minutes).
- For unbanked recipients who walk, the mean time to get there is 20 minutes (the median is 11 minutes).
- For unbanked recipients who ride, the mean time to get there is 16 minutes (the median is 10 minutes).

³ At a 92% confidence level.

Level of Satisfaction

Consistent with the overall satisfaction about cashing checks identified previously, unbanked recipients appear to be satisfied with all the specific aspects about the location where they cash their checks.

- 96% of unbanked recipients are satisfied with the location itself.
- 93% of unbanked recipients are satisfied with the location's hours.
- 97% of unbanked recipients are satisfied with the location's staff.

6.3. Check Cashing Fees

Federal Checks

Less than half (39%) of unbanked recipients are charged a fee to cash their Federal check. This is likely associated with the previous result that 51% of them go to banks to cash their checks. Indeed, most unbanked recipients (81%) who go to banks to cash their checks do not pay a fee, while over half (60%) of those who go to some location other than banks pay a fee. In the same perspective, the vast majority of unbanked recipients (89%) who go to check cashers are charged a fee, and approximately half (47%) of unbanked recipients who go to grocery stores pay a fee.

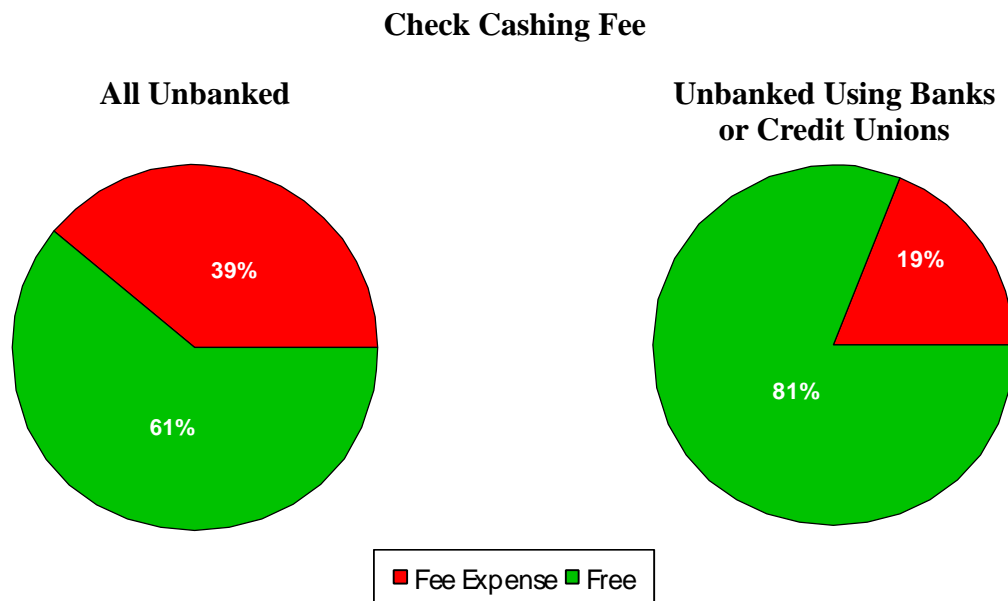


Figure 6.4

- Comments regarding what unbanked recipients like about banks also showed that a major advantage of a bank is that it is a convenient place where they cash their check for free:

— “When you cash your check at a bank, you get the full amount.” (SSA&SSI, Suburb)

— “I can cash my checks for free.” (SSI, Small town)

In addition, there is also a significant relationship between fees and ethnicity. Nearly two-thirds (62%) of Black unbanked recipients are charged a fee to cash their Federal check, compared to 40% of Hispanics and 27% of Whites.

Check Cashing Fee by Ethnic Group

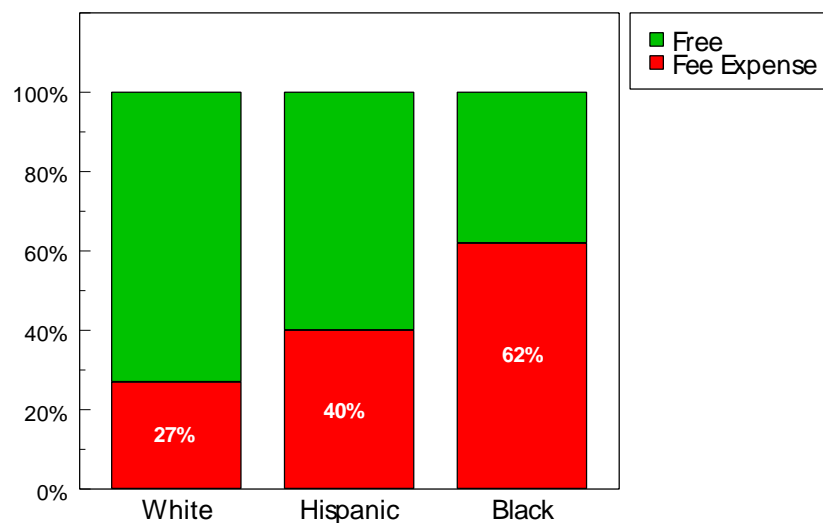


Figure 6.5

The likelihood of being charged a fee to cash a Federal check also varies by living area. Unbanked recipients living in cities are more likely (53%) to be charged a fee than those living in small towns (29%) or in the countryside (26%).

For unbanked recipients who are being charged to cash their Federal check, the mean fee is \$4.80 (the median is \$3.00). However, the fee amount charged for cashing Federal checks differs by living area and ethnicity. The mean fee is significantly higher for unbanked recipients living in cities (\$5.40) than for those living in small towns (\$3.40). The mean fee paid by Black unbanked recipients is higher (\$5.60) than the one paid by Whites (\$4.10) or Hispanics (\$3.90).

Check Cashing Fee Amount by Living Area and by Ethnic Group



Figure 6.6

In addition, there are significant regional differences regarding check cashing fees. Unbanked recipients who live in the West pay higher fees (\$8.90 mean) compared to those living in the Northeast (\$3.80 mean) or in the Southeast (\$3.40 mean).

Other Checks

Unbanked recipients are less likely (29%) to be charged a fee when they go cash their other checks compared to their Federal check (39%). In this case, 84% of unbanked recipients cashing their other checks at banks do not pay any fee, while 73% of those going to check cashers and 41% of those going to grocery stores pay a fee.

Similarly to Federal checks, variations emerge regarding the likelihood of paying a fee by ethnic group and living area.

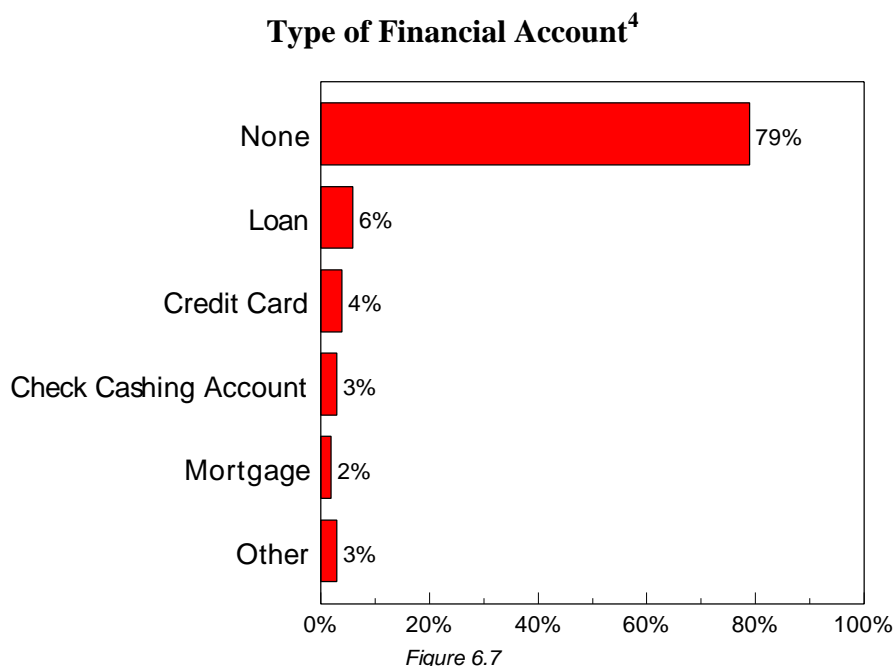
- 51% of Black unbanked recipients pay a fee to cash their other checks, compared to 22% of Hispanics and 19% of Whites.
- 39% of unbanked recipients living in cities are charged a fee to cash their other checks, compared to 24% of those living in small towns and 22% of those living in the countryside.

For unbanked recipients who are being charged to cash their other checks, the mean fee is \$3.40 (the median is \$2.40). Again, the amount charged varies by ethnic group. Black unbanked recipients pay a higher fee (\$4.20) to cash their other than Federal checks, compared to Whites (\$2.60) or Hispanics (\$2.60).

6.4. Financial Account History and Future

Current Account

The majority (79%) of unbanked Federal check recipients do not have any type of financial account. For those who do have a financial account, 6% have a loan, 4% have a credit card, 3% have a check cashing account, 2% have a mortgage, and 3% have some other type of account.



Variations emerge across programs:

- SSI, SSA, and both SSI and SSA unbanked recipients are more likely (79%, 88%, and 80% respectively) to not have any type of financial account compared to RRB unbanked recipients (46%).
- SSI unbanked recipients are less likely (2%) to have a loan than RRB unbanked recipients (23%).

In the case of loans, there are also significant differences between living areas, as well as regions.

- 2% of unbanked recipients living in cities have a loan, while 9% of unbanked countryside recipients and 11% of unbanked small town recipients have a loan.
- 4% of unbanked recipients living in the West have a loan, while 12% of unbanked Southeast recipients have a loan.

⁴ Does not add up to 100% — some respondents identified as unbanked did not answer this specific question.

Past Account

Considering unbanked recipients who do not have any type of account, nearly half of them (48%) never had a bank account in the past.

For unbanked recipients who never had a bank account in the past, the vast majority (93%) never tried to open an account.

- Reasons include no need or not enough money. Out of 71 comments 30% were related to "not enough money".

— “*Never needed.*” (RRB, Countryside)

— “*My monthly check is just enough for rent and food.*” (City)

— “*Not enough money.*” (OPM, City)

For unbanked recipients who had a bank account in the past — mostly checking or savings accounts — but don’t have it anymore, comments show that “not enough money” was a major cause. Out of 71 comments, 39% were related to "not enough money".

— “*Not enough money.*” (VA, Countryside)

— “*Had to leave \$150 in the account and could not afford that.*” (SSI, City)

— “*Had to close it out because I needed the money to pay bills.*” (SSA&SSI, Small town)

— “*No money other than monthly check.*” (RRB, City)

Future Account

In terms of future usage, checking and savings accounts raise the highest interest: in both cases, 38% of unbanked recipients might or will use such accounts over the next three years (6% will use a checking account vs. 10% will use a savings account). Then by order of importance, 23% might or will use a check cashing account, 15% might or will use a loan, and 14% might or will use a credit card account.

Financial Accounts — Future Usage

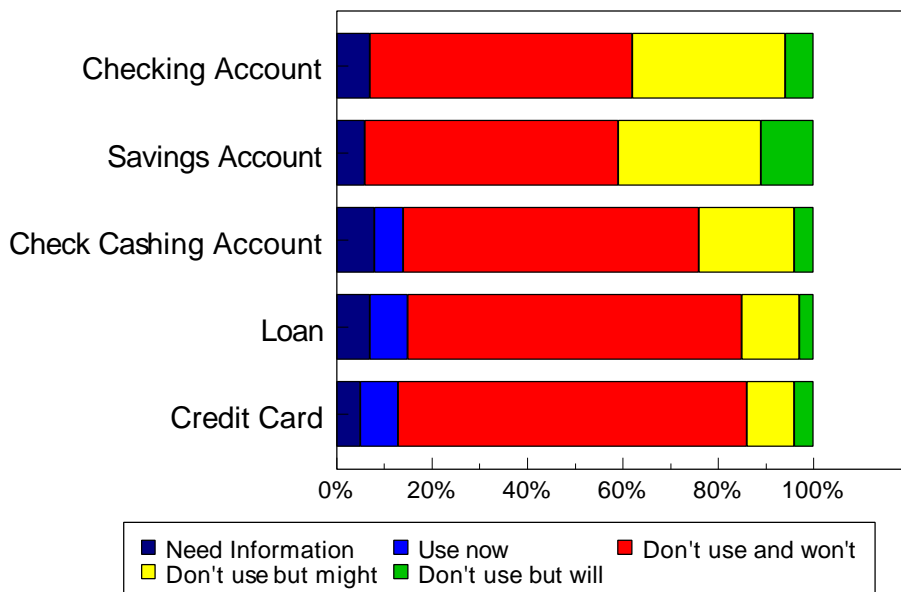


Figure 6.8

It is important to note that the likelihood to use a checking or savings account in the future seems to decrease for older unbanked recipients.

- 55% of unbanked recipients under 25 years old might or will use a checking account and 50% a savings account.
- 26% of unbanked recipients over 84 years old might or will use a checking account and 17% a savings account.

It appears that over time, as today's future usage changes into actual usage, demand for bank accounts will grow among unbanked recipients.

Savings Account — Future Usage by Age

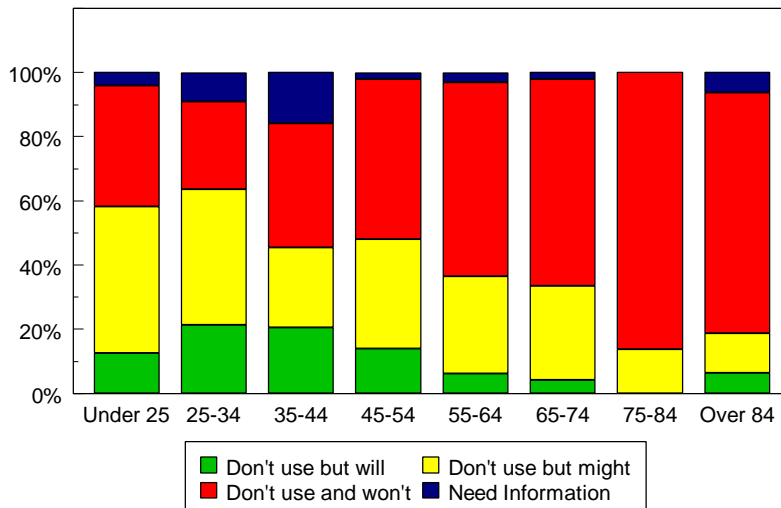


Figure 6.9

Significant variations emerge across ethnic groups. Black unbanked recipients appear to have a higher level of demand for financial services. Over half of Blacks (53%) might or will use a checking account in the near future, compared to 36% of Whites. Similarly, the majority (55%) of Black unbanked recipients might or will use a savings account over the next three years, compared to 32% of Whites. Finally, 22% of Blacks might or will use a credit card in the future, while 12% of Whites have an equivalent interest in credit cards.

Checking Account — Future Usage by Ethnic Group

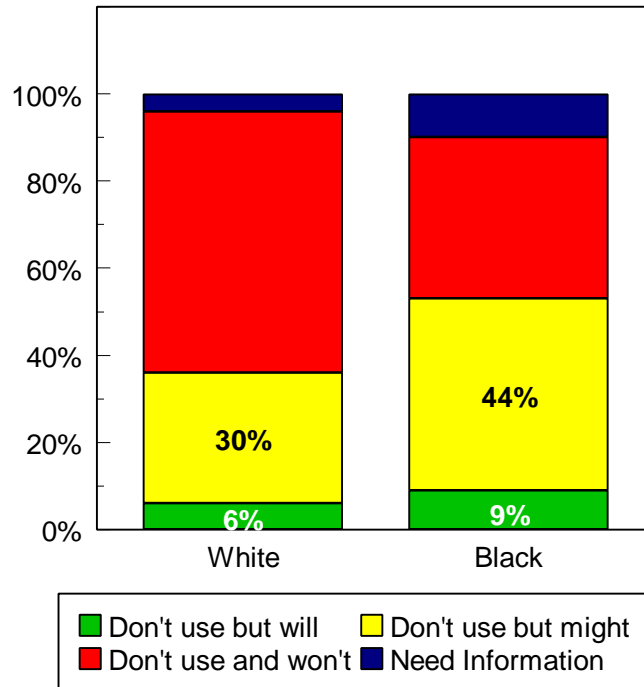


Figure 6.10

In addition, unbanked recipients who belong to different programs do not express an equal level of interest in the future usage of a savings account. SSI unbanked recipients are more likely (42% might or will use) to use a savings account in the near future than SSA unbanked recipients (35% might or will use).

6.5. Bill Payment

Payment Type

For unbanked Federal check recipients the most frequent method of payment for their monthly bills is cash (55%), followed by money orders (50%), someone else paying bills on behalf of them (20%), and some other payment means (3%).

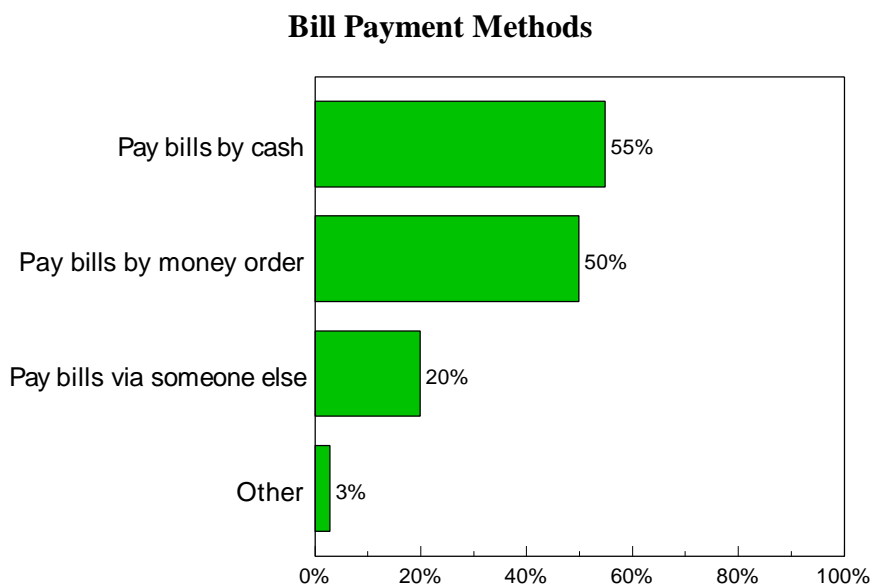


Figure 6.11

The usage of different payment types to pay monthly bills significantly varies by ethnic group. Cash appears to be the primary payment means for Hispanic unbanked recipients (71%) compared to Blacks (47%).

Overall, the mean number of bills paid in person by cash by unbanked recipients is 2.2 per month. For those who use cash to pay bills in person, the mean number of bills is 3.2 (the median is 3 bills).

Variations are also significant across regions. Unbanked recipients living in the Midwest and the Northeast are less likely to use cash to pay their bills (38% and 44% respectively) than those who live in the Central and Southeast regions (65% and 67% respectively).

Overall, the mean number of monthly bills paid in person by money order by unbanked recipients is 1.1. For those who use money orders to pay bills in person the mean number of bills is 2.7 (the median is 2 bills). Similar to the general usage of money orders, the number of bills paid in person by money order varies across ethnic groups. Black unbanked recipients using money orders pay more bills in person by money order (the mean is 2.8, the median is 3) than Hispanics using money orders (the mean is 1.6, the median is 1.5).

Money Order Usage and Fees

Overall, the mean number of monthly bills paid by money order by unbanked recipients is 2.2 (the median is 1). Specifically for unbanked recipients who use money orders to pay their bills, the median number of monthly bills paid by money order is 3.3 (the median is 3).

The mean number of monthly bills paid by money order varies by ethnic group⁵. Black unbanked recipients who use money orders to pay their monthly bills pay a higher mean number of bills (3.5) than Hispanics (2.2).

For future usage, since 58% already use money orders, few unbanked Federal check recipients plan to start using money orders (9% might or will use).

In terms of fees, 86% of unbanked recipients are charged a fee to get a money order. The mean fee amount for a money order is \$0.90 (the median fee is \$0.80). However, the mean fee paid by unbanked recipients for a money order differs across ethnic groups. Black unbanked recipients pay a mean fee of \$1.00 for a money order, while Whites pay a mean fee of \$0.85.

6.6. Unbanked versus Banked

Check Cashing Location and Fees

As expected, the vast majority (92%) of banked Federal check recipients goes to banks to cash their Federal checks compared to about half (51%) of unbanked recipients. They are not likely to go to check cashers or grocery stores to cash their checks: 6% of banked recipients go to grocery stores versus 36% for unbanked and 4% of banked recipients go to check cashers versus 16% for unbanked.

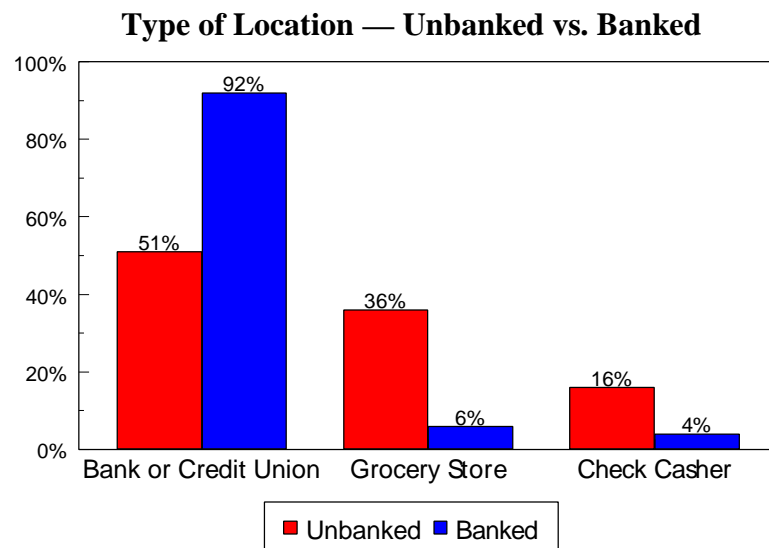


Figure 6.12

⁵ At a 93% confidence level.

Overall, banked recipients live closer to the location where they cash their Federal check than unbanked recipients. The mean distance for banked recipients is 4.9 miles compared to 6.8 miles mean for unbanked recipients. Similarly, the mean time driving for banked is 9 minutes versus 12 minutes, the mean time riding is 13 minutes versus 16 minutes, and the mean time walking is 16 minutes versus 20 minutes.

Both banked and unbanked recipients express high satisfaction about the location where they cash their checks regarding the location itself, hours and staff.

Consistent with banked recipients' usage of banks or credit unions to cash their checks, banked recipients are significantly less likely (5%) to pay a fee to cash their checks than unbanked recipients (39%). By comparing specifically recipients who pay a fee to cash their checks, there is no difference between banked and unbanked recipients in terms of fee amount.

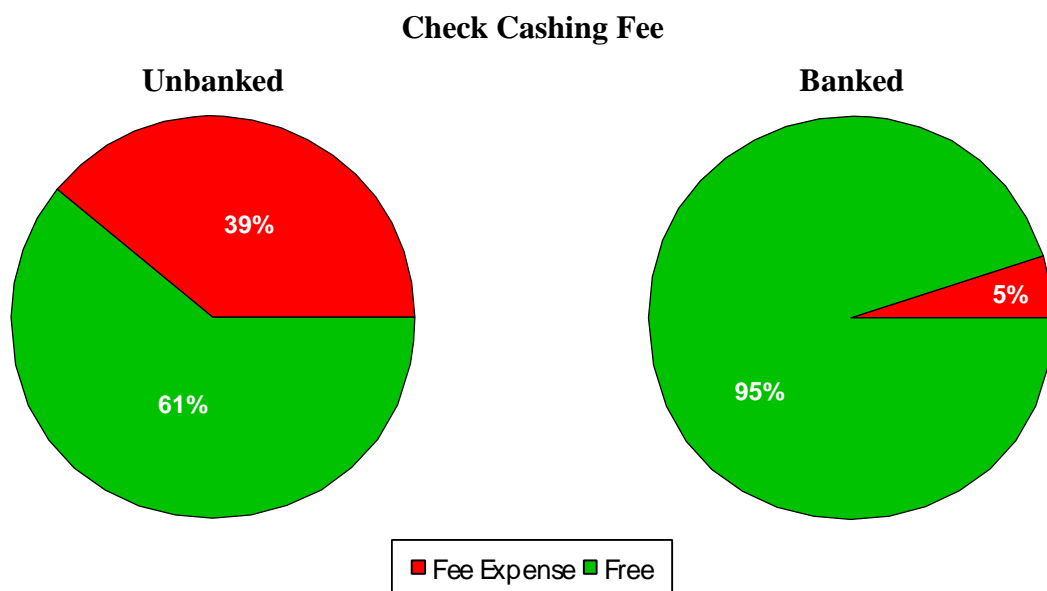


Figure 6.13

Similar results are obtained for cashing other than Federal checks, with 3% of banked recipients paying a fee versus 29% of unbanked recipients.

Financial Account History and Future

As expected, all banked recipients have a bank account while the majority (79%) of unbanked do not have any type of financial account: 77% of banked recipients have a checking account, 65% have a savings account, 12% have a loan versus 6% of unbanked, 20% have a credit card versus 4% of unbanked, 9% have a mortgage versus 4% of unbanked, and 9% have an investment account.

Financial Accounts — Unbanked vs. Banked

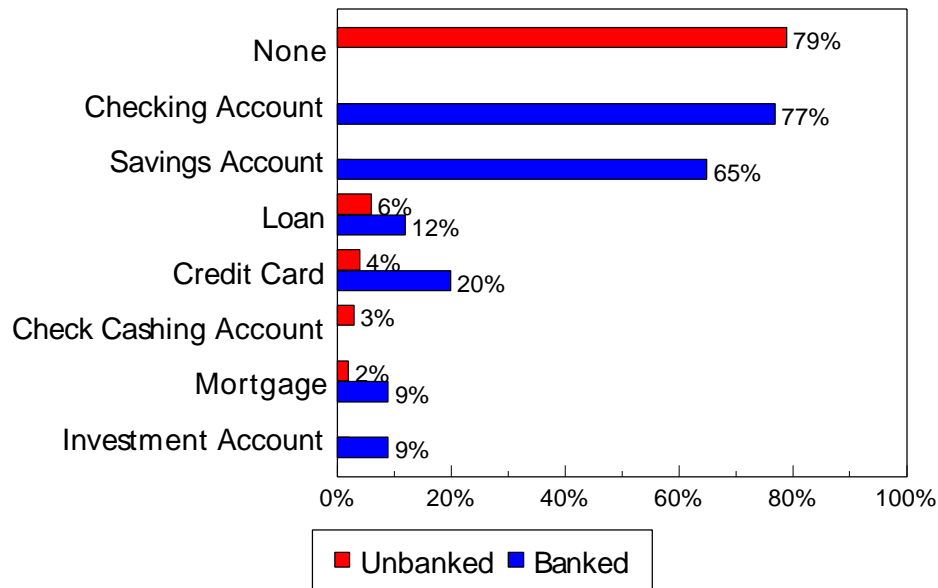


Figure 6.14

Bill Payment

Banked Federal check recipients are less likely (25%) to use cash to pay their monthly bills than unbanked recipients (55%). They are also less likely to use money orders (18%) to pay their monthly bills compared to unbanked recipients (50%). Finally, banked recipients are less likely (4%) to use someone else to pay their bills compared to unbanked recipients (20%). As could be expected, banked recipients' primary means of bill payment is checks: 71% of banked recipients pay their monthly bills by check.

Bill Payment Methods — Unbanked vs. Banked

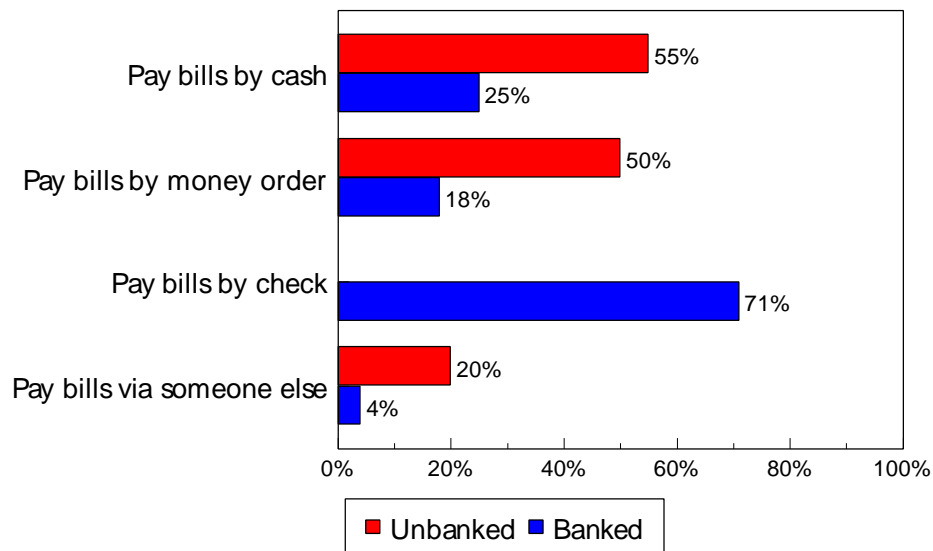


Figure 6.15

There is no significant difference among those recipients who use money orders between banked and unbanked recipients regarding the number of bills paid monthly by money order.

For those recipients who pay their monthly bills by cash in person, unbanked recipients pay a higher number of bills (the mean is 2.1 bills) than banked recipients (the mean is 1.4 bills).

In terms of fees, banked recipients are less likely (69%) to pay a fee to get a money order than unbanked recipients (86%).